



AGRICULTURAL BULLETIN

Volume XXIX

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Number 54

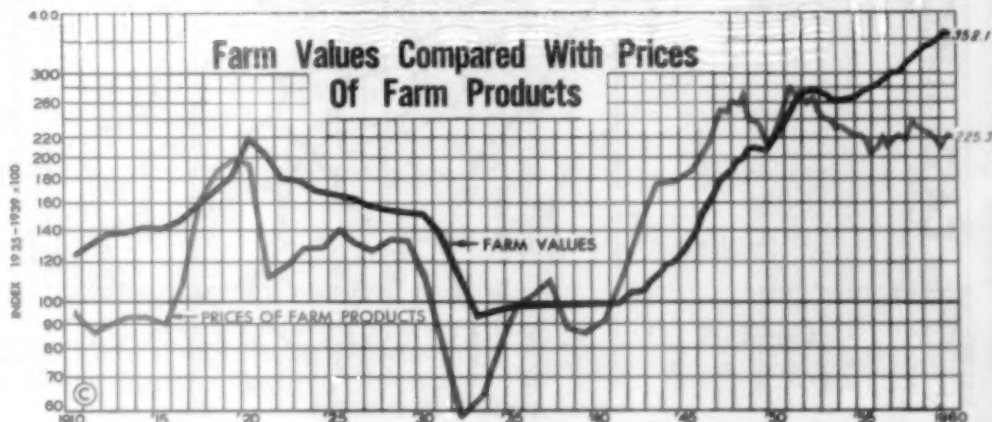
Real Estate Economists, Appraisers and Counselors

THE FARM REAL ESTATE MARKET

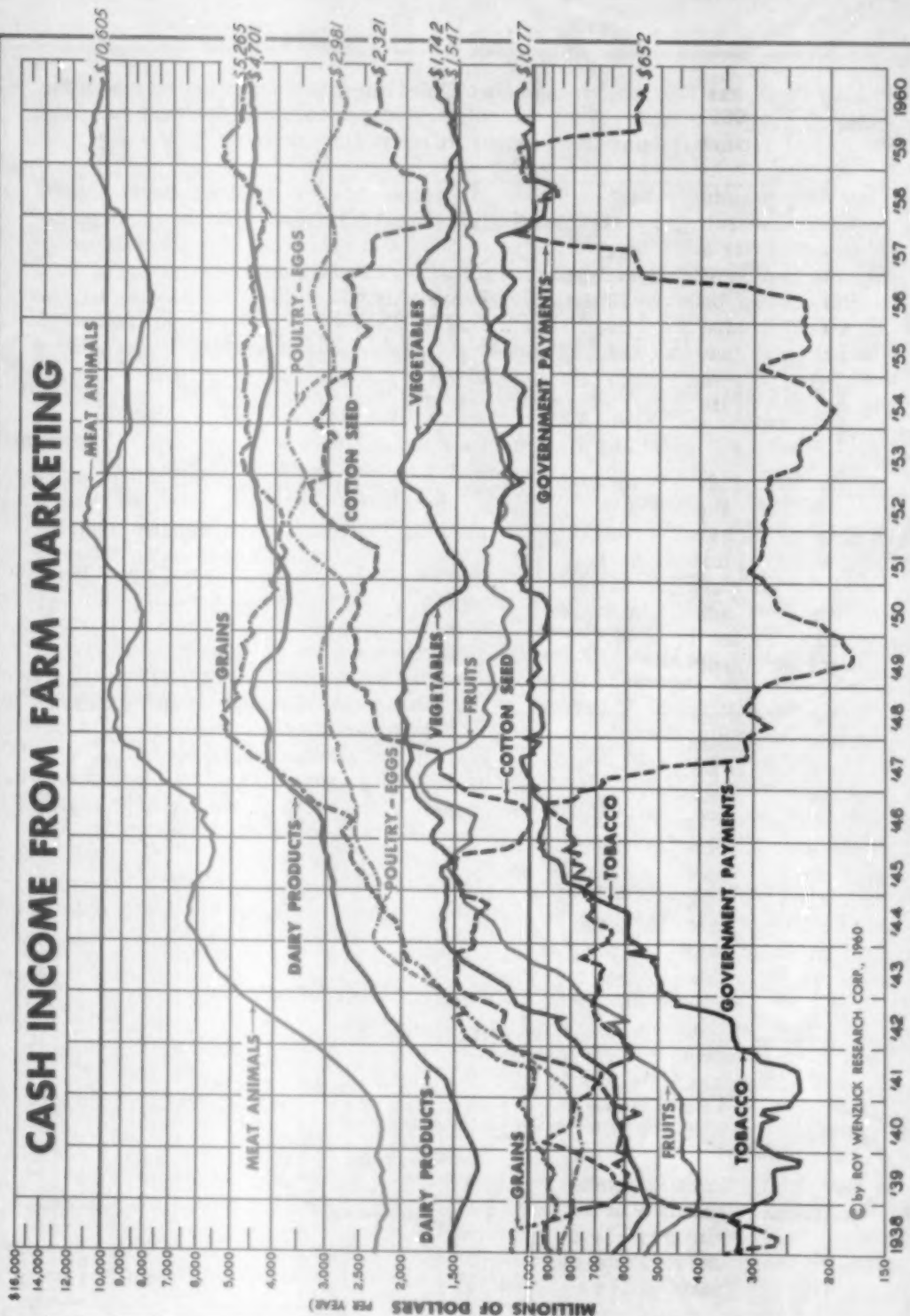
THE most important information of any kind about a market is the price prevailing. From March to July of this year farm real estate values per acre fell from 354.6 percent of their 1935-39 average to 352.1 percent. The last break in the upward march of farm values was from November 1952 to November 1953. In November 1953 the average value of a farm was \$83.13 per acre. It is now \$110.57 per acre.

As anyone who has studied economics knows, the rent and value of land and real estate depends upon the net income that can be earned from it. This in turn means that farm value depends on the demand for the agricultural products produced on the land. Therefore, it appears extremely paradoxical that farm prices should increase 40 percent since March 1951, while prices of farm products decreased 22 percent. The solution to this paradox is the key to the whole agricultural economy. The key is productivity. Today it takes one farm worker to supply 32 people. In 1950 one worker supplied only 20 people. In just one year, from 1959 to 1960, yields per acre planted to crops are three percent higher. Thus it has been possible for farm product prices to fall 22 percent, while farm income has fallen only 14 percent since 1951.

The increased productivity of the farm worker has meant that fewer workers were needed to supply the growing population. In the ten years from 1950



CASH INCOME FROM FARM MARKETING



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to 1959 there has been an average annual net migration from the farms to the cities of 805,000 people. Thus the net income per capita in farming has been fluctuating around a rising trend rather than a falling trend.

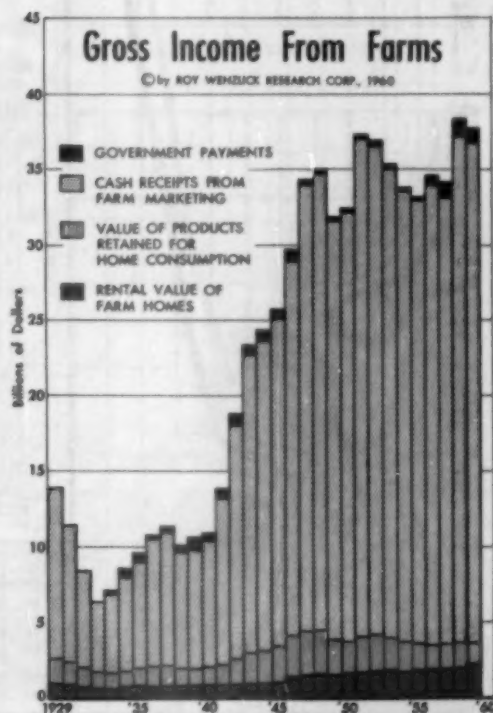
This productivity has come about because of new methods developed by years of research in the land grant agricultural colleges. For many years the Government has spent large funds on agricultural research, and these expenditures have paid off in increased productivity. In addition to new methods, new machinery has been developed, and more of it. Farms have grown in size or decreased in size until the men and families operating them could handle the production on that size farm. With the new methods and machinery, gradually developed, the same farm family could lower its average unit cost by increasing the size of its farm. They have, in fact, been doing this now for several years.

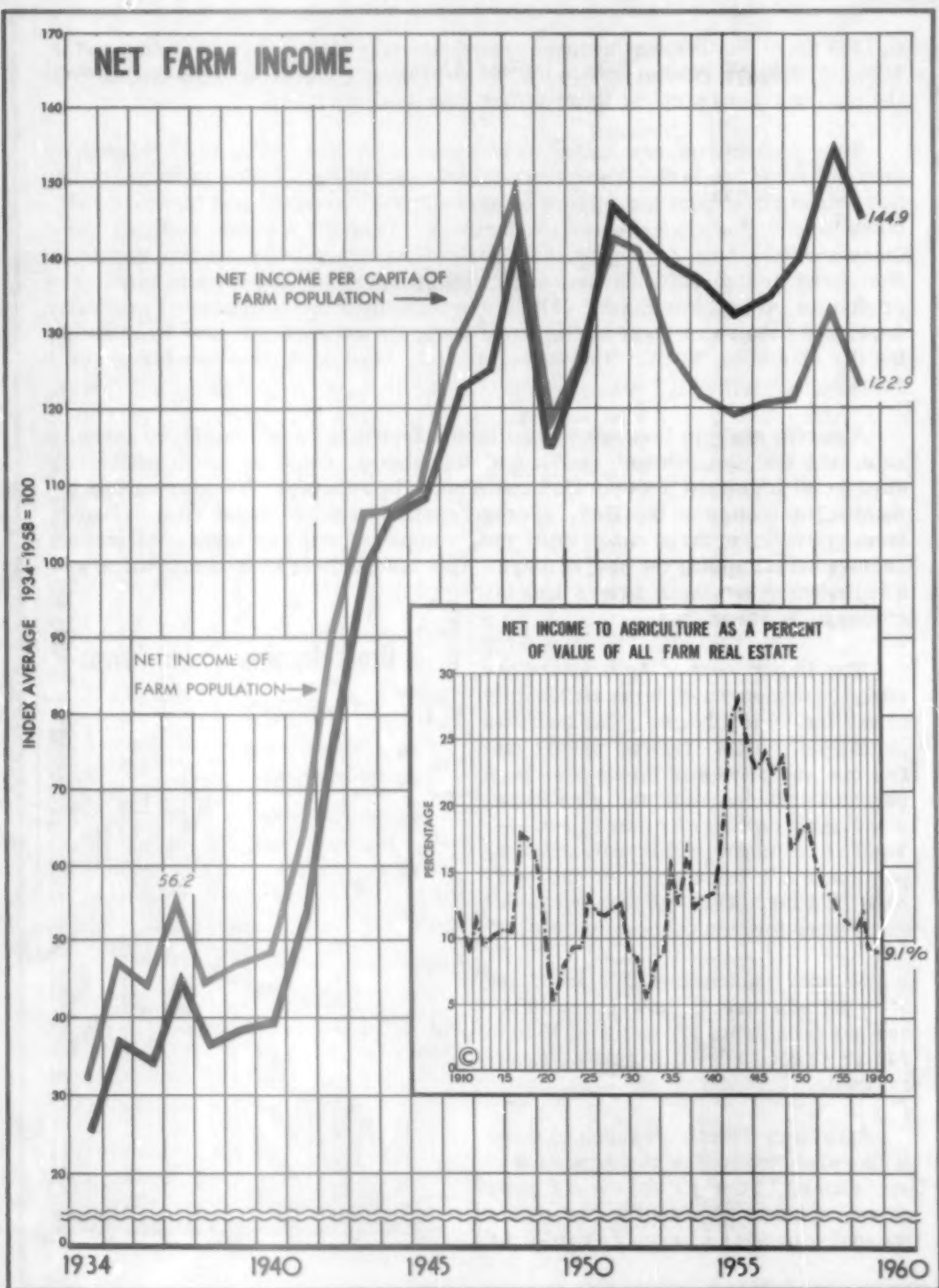
A recent study in Iowa shows that farms typically were around 160 acres in size, but that the nonland resources, machinery, could be more efficiently used on 80 additional acres. Unit costs could be reduced. If additional equipment were applied to the land, average costs would be lowest on a 760-acre farm. Prices of farm sales were then compared with the additional income received from adding the new acreage. This comparison showed that there was a tendency for these prices and incomes to be associated.

The Department of Agriculture has analyzed transfers of farm real estate to see for what purpose the land was purchased. These figures reveal that farms and parts of farms have been purchased to increase the size of another farm on an increasing scale. The table on page 561 shows that 32 percent of all sales were for this purpose in 1955, while 44 percent of all sales were for this purpose in 1960.

Further evidence of this trend has been the increase in the average acreage per farm from 174 acres in 1940 to 242 acres in 1954, the last figure available.

Another factor tending to force farm values upward is the expansion of our cities. This problem recently gained widespread attention because of its zoning problems as developed by





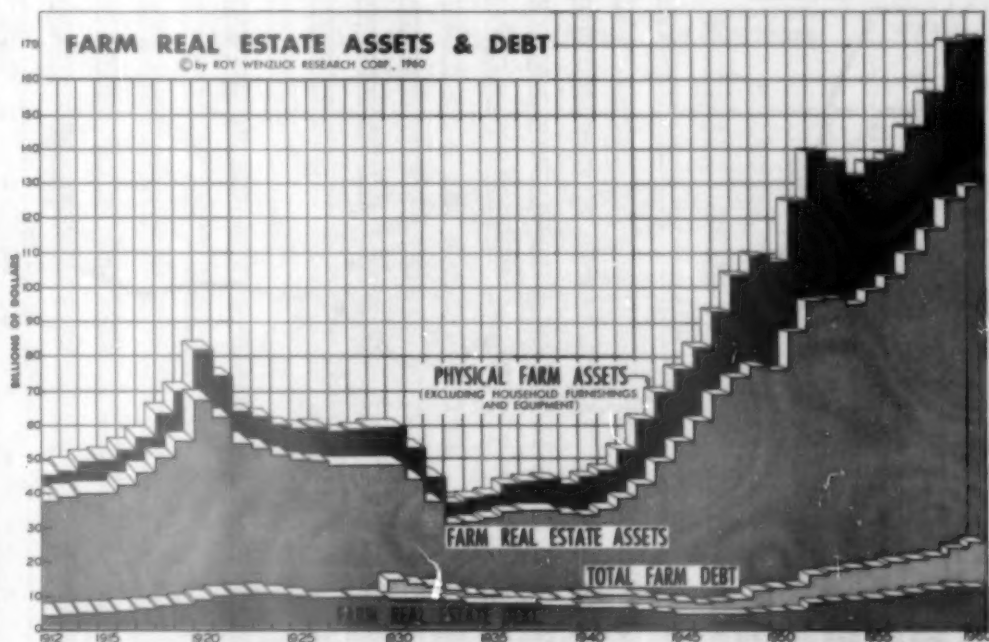
FARM REAL ESTATE TRANSFERS
PERCENTAGE DISTRIBUTION BY METHOD OF OPERATION AFTER SALE
UNITED STATES 1955-60

	1955	1956	1957	1958	1959	1960
A single farm	62%	60%	55%	53%	49%	48%
Part of another farm	32	33	38	39	42	44
Part-time farm	6	7	7	8	9	8
	100%	100%	100%	100%	100%	100%

William H. Whyte, Jr., in an Urban Land Institute publication, "Securing Open Space for Urban America: Conservation Easements."

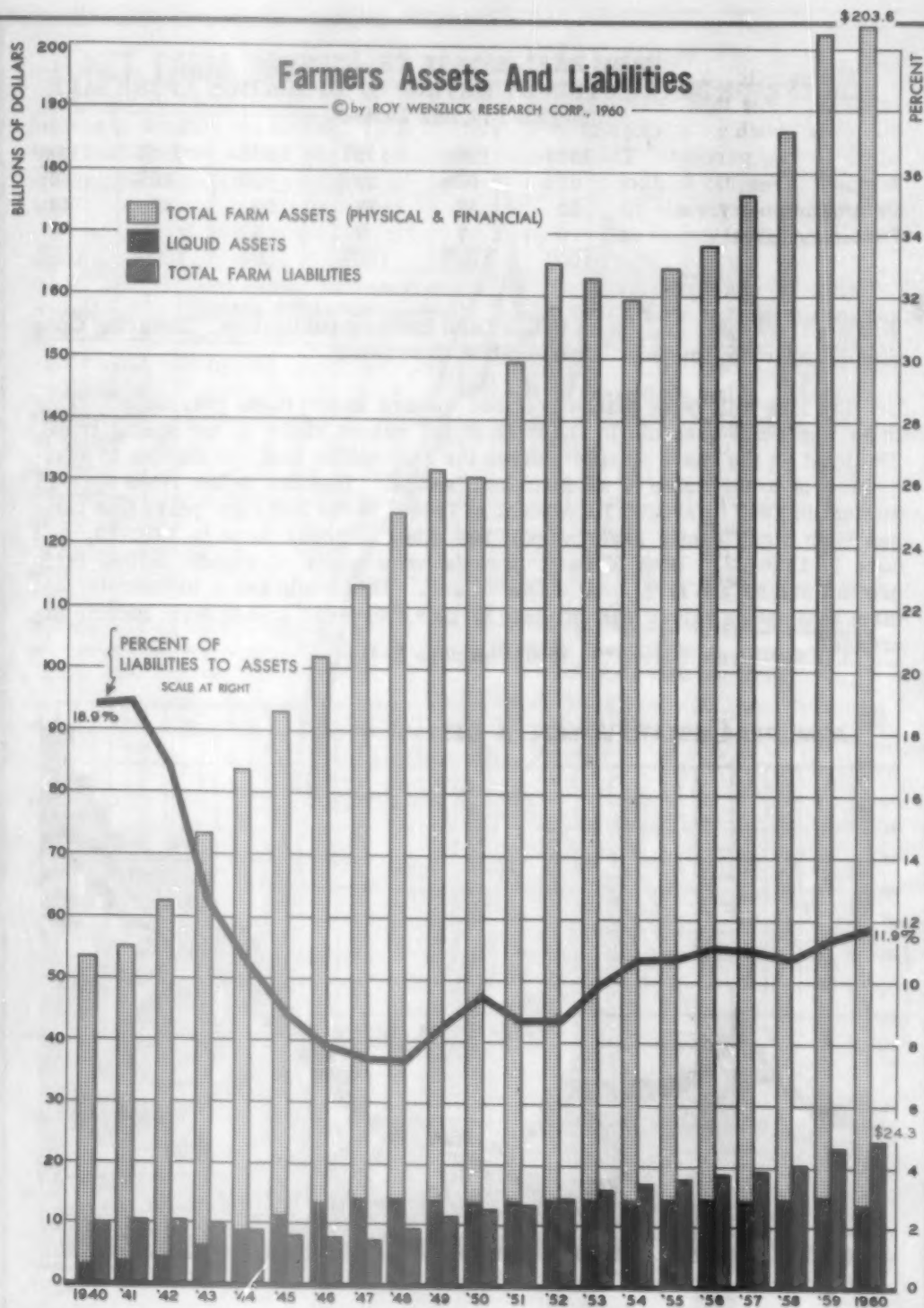
How long will farm prices continue upward under these pressures? This is an important question in the light of the recent check in the rising trend. The inset in the chart opposite shows the percentage that net income to agriculture is to the value of all farm real estate. This has fallen from over 25 percent in 1943 to around 10 percent in 1960. In the last fifty years this ratio has been significantly lower in only two other periods: once in 1920-22, and once in 1930-33. Both of these periods were years of rapidly falling farm product prices and farm real estate prices. This would seem to indicate that farm real estate values cannot make further increases unless farm income increases.

(cont. on page 563)



Farmers Assets And Liabilities

by ROY WENZLICK RESEARCH CORP., 1960

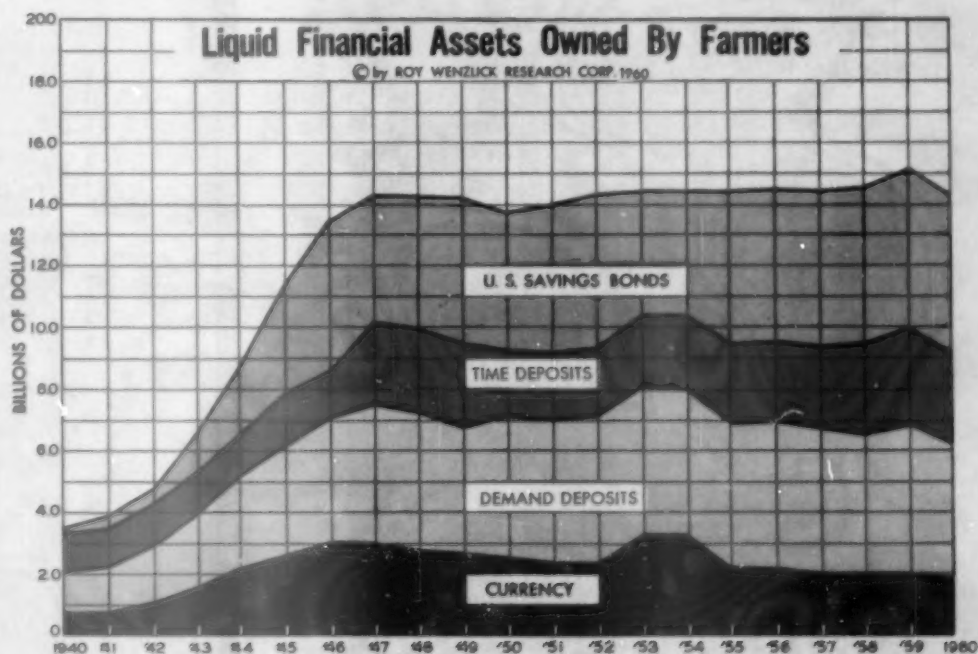


(cont. from page 561)

The skeptic, however, replies that we have been in a period of continuous inflation. For this reason people are willing to bid up the price of equity investments such as stocks and real estate to their current net returns of around three to four percent. The increase in values makes up the rest of their return. The skeptic has not realized that the United States cannot continue an inflationary policy while its gold continues to seek other shores. Thus, rising future farm real estate values depend on rising real incomes to farms.

Except for a small reference to urban expansion we have discussed farm real estate as if it were a fixed item. There is only so much land in the United States, and that is the supply. There is no more. True enough. But our key to demand - productivity - is also important to supply. Increasing productivity of land by using fertilizer, conservation, crop rotation, etc., has in effect decreased the amount of land needed for a given output of corn or other products. The use of land for agricultural purposes has been declining because of the soil bank program and the gobbling up of land by the cities. Here, then, is another pressure for rising farm prices. If there should be a sizable reduction of the amount of land available for farming without continued increases in productivity of the land, farm real estate prices would rise. Today, this appears to be a very remote possibility.

Balancing all of these factors, it looks as though farm real estate should continue to decline during the next year.



FARM VALUES PER ACRE BY STATES
U. S. Department of Agriculture Estimates

	July			July	
	1959	1960		1959	1960
Alabama	\$ 78.68	\$ 79.77	Nevada	\$ 36.22	\$ 36.70
Arizona	47.02	46.30	New Hampshire	107.29	108.43
Arkansas	96.49	102.77	New Jersey	577.54	595.38
California	314.07	336.56	New Mexico	23.00	23.41
Colorado	42.77	43.73	New York	127.31	124.95
Connecticut	396.25	409.87	North Carolina	156.00	157.98
Delaware	215.59	216.22	North Dakota	47.40	49.36
Florida	213.13	224.06	Ohio	243.17	247.24
Georgia	89.36	91.89	Oklahoma	81.72	84.28
Idaho	119.15	122.32	Oregon	90.59	88.31
Illinois	292.02	287.77	Pennsylvania	179.04	179.69
Indiana	253.16	251.53	Rhode Island	426.34	437.24
Iowa	241.98	241.98	South Carolina	117.28	123.69
Kansas	98.99	98.59	South Dakota	47.98	48.30
Kentucky	116.65	121.40	Tennessee	113.37	121.73
Louisiana	156.66	164.80	Texas	75.52	76.99
Maine	71.79	73.40	Utah	86.29	86.96
Maryland	239.46	234.85	Vermont	78.92	80.62
Massachusetts	293.00	293.00	Virginia	132.50	139.15
Michigan	175.83	167.19	Washington	154.47	157.88
Minnesota	146.57	144.43	West Virginia	86.05	89.35
Mississippi	99.05	100.19	Wisconsin	124.46	122.63
Missouri	102.92	105.00	Wyoming	18.17	18.73
Montana	30.54	32.75			
Nebraska	86.43	85.11	UNITED STATES	109.42	110.57

Percentage Change In Dollar Value of Farmland

JULY 1959 TO JULY 1960

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